

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 EUR-12 EA-10 IO-13 ISO-00 L-03
FRB-03 OMB-01 ITC-01 SP-02 ICA-11 AGRE-00 AID-05
CIAE-00 COME-00 INR-10 LAB-04 NSAE-00 OIC-02
SIL-01 STR-07 TRSE-00 CEA-01 SS-15 AF-10 NEA-11
NSC-05 /146 W

-----109388 160531Z /17

R 160301Z MAY 78

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 4254

INFO AMEMBASSY BANGKOK

AMEMBASSY BONN

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY LA PAZ

AMEMBASSY LONDON

AMEMBASSY TOKYO

USMISSION GENEVA

C O N F I D E N T I A L KUALA LUMPUR 4252

E.O. 11652: GDS

TAGS: ETRD, UNCTAD, MY

SUBJ: AMBASSADOR'S CONVERSATION WITH MINISTER OF PRIMARY INDUSTRIES

1. SUMMARY: DATUK TAIB GAVE AMBASSADOR HIS LATEST THINKING ON THE COMMON FUND AND THE INTERNATIONAL TIN AGREEMENT. AS USUAL, HE TOOK POSITIONS IN BETWEEN THOSE OF THE G-77 AND THE DEVELOPED COUNTRIES. HE URGED MODERATION AND HOPED WAYS COULD BE FOUND TO DEFUSE THE ISSUES THROUGH INFORMAL BACKSTAGE DISCUSSIONS IN A SPIRIT OF COMPROMISE. END SUMMARY.

2. AMBASSADOR CALLED ON DATUK AMAR TAIB MAHMOUD, MINISTER OF PRIMARY INDUSTRIES, AS PART OF A ROUND OF VISITS IN ANTICIPATION OF HIS JUNE CONSULTATIONS IN WASHINGTON. THE AMBASSADOR ASKED TAIB FOR LATEST MALAYSIAN VIEWS ON INTERESTS OF MUTUAL CONCERN.

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3. TAIB SAID HE WISHED FIRST OF ALL TO DISCUSS THE COMMOND FUND, AS IT WAS THE MOST DIFFICULT SUBJECT. HE SAID UNCTAD SECRETARY GENERAL COREA WAS HOPING TO ACHIEVE PROGRESS BEFORE UNCTAD V (NEXT APRIL) IN ORDER TO PREVENT A SOURING OF THE ATMOSPHERE SURROUNDING THAT MEETING. TAIB SAID HE SHARES COREA'S VIEW AND BELIEVES IT VERY IMPORTANT THAT SOME PROGRESS BE MADE. HE SAID

THE SECRETARY GENERAL IS TRYING TO FIND A COMPROMISE SOLUTION WHICH WOULD PROVIDE ELEMENTS OF BOTH DIRECT CONTRIBUTIONS AND POOLING. HE THOUGHT THE COMMON FUND CANNOT RELY SOLELY ON EXISTING ICA'S AND STILL PERFORM ITS ROLE AS A CATALYST FOR BRINGING NEW ICA'S INTO BEING. FURTHERMORE, THE POOLING ARRANGEMENT COULD NOT FUNCTION UNTIL THERE WERE A SUBSTANTIAL NUMBER OF AGREEMENTS. CONSEQUENTLY, THE FIRST AGREEMENTS SIGNED WOULD NEED CONSIDERABLY LARGER FINANCING. ALSO, MEMBERS OF ONE AGREEMENT MIGHT WELL FEEL RELUCTANT TO ALLOW THEIR FUNDS TO BE USED FOR A DIFFERENT COMMODITY WITH DIFFERENT CONDITIONS. THEREFORE, HE FELT SOME DIRECT FINANCING FOR THE COMMON FUND WOULD BE NECESSARY IN ORDER TO REDUCE THE FINANCING REQUIRED FOR INDIVIDUAL IDC'S, AND TO ALLOW THE FUND TO ESTABLISH CREDIT AND BORROW COMMERCIALY.

4. THE AMBASSADOR ASKED DATUK TAIB WHETHER HE THOUGHT SUCH A COMPROMISE WOULD BE SUPPORTED IN THE GROUP OF 77. TAIB SAID THAT,ALTHOUGH A FEW OF THE MORE DOCTRINAIRE LDC'S, ESPECIALLY IN AFRICA, WOULD OPPOSE IT,HE THOUGHT THE MAJORITY WOULDFAVOR IT. THE AMBASSADOR EXPRESSED CONCERN THAT A DIRECTLY FINANCED COMMON FUND WOULD WEAKEN THE AUTONOMY OF THE INDIVIDUAL ICA'S. TAIB SAID THAT HE HAD THRASHED THIS PROBLEM OUT AND THAT THIS COULD BE HANDLED BY HAVING THE COMMON FUND ASSUME THE ROLE OF "LENDER OF SECOND RESORT," OR A KIND OF A BANK. HE DID NOT BELIEVE THAT ANY ICA SHOULD BE EXCLUSIVELY DEPENDENT ON THE COMMON FUND. EACH ICA WOULD HAVE ITS OWN FINANCING FOR NORMAL OPERATIONS, BUT WOULD BE IN A POSITION TO CALL ON THE COMMON CONFIDENTIAL

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FUND IN CASE OF SPECIAL CONDITIONS.

5. IN THE CASE OF THE SECOND WINDOW, TAIBL SAID THAT, WHILE EXISTING AID ORGANS ARE GOOD, THEY ARE NOT SET UP IN SUCH A WAY AS TO DEAL WITH COMMODITY ISSUES. THEY DO ON OCCASION PROVIDE ASSISTANCE TO COMMODITY PRODUCTION, BUT ON A BILATERAL BASIS, AND OFTEN IN A MANNER WHICH TENDS TO DEFEAT GLOBAL PRICE STABILITY. HE POINTED TO THE EXAMPLE OF THE IBRD SUPPORING EXPANSION OF PRODUCTION OF TEA AND PALM OIL IN SEVERAL COUNTRIES WITHOUT REGARD FOR THE POTENTIAL PROBLEM OF GLOBAL SUPRLUS OF THESE COMMODITIES. HE THOUGHT THAT A MAJOR PURPOSE OF THE SECOND WINDOW WOULD BE TO FACILITATE SPECIAL ATTENTION TO COMMODITY PROGRAMS BY MAKING STUDIES ON A WORLD WIDE BASIS. TAIB SAID THE GOM IS OPEN ON HOW (OR BY WHOM) SOLUTIONS WOULD BE IMPLEMENTED.

6. WITH REGARD TO TIN, DATUK TAIB SAID THERE WAS CONSIDERABLE DISSATISFACTION AMONG THE PRODUCERS OVER THE US POSITION ON PRICING. HE SAID THERE WAS CONSIDERABLE FEELING THAT THE US HAD TAKEN A RATHER ADAMANT POSITION AND THAT THIS WAS NOT WITHIN THE SPIRIT OF THE AGREEMENT. HE POINTED OUT THAT BEFORE THE US JOINED, THERE WAS A SPIRIT OF COMPROMISE AND AGREEMENTS WERE WORKED OUT BY CONSENSUS. NOW THAT THE US HAS JOINED THE ITA, THE

ORGANIZATION IS FACING THE PROBLEM OF INTEGRATING A GIANT INTO ITS PROCEDURES. TAIB SAID THAT MALAYSIA TAKES A FLEXIBLE POSITION ON THIS ISSUE AND THAT HE WOULD PREFER TO DEAL WITH IT BEHIND THE SCENES, PERHAPS THROUGH INFORMAL DISCUSSIONS BETWEEN HIM AND THE AMBASSADOR. HE ALSO SAID THAT HE THOUGHT THERE SHOULD BE A CLOSER LOOK AT THE COSTS OF PRODUCTION, WHICH HAVE CONTINUED TO GO UP, AND IN HIS OPINION, SHOULD BE EFFECTING AN INCREASE IN THE FLOOR PRICE.

7. TAIB SAID THAT THERE HAD BEEN AN UNFORTUNATE REACTION TO THE US ANNOUNCEMENT OF THE UDALL-DECONCINI BILL BECAUSE THE PRODUCERS REMEMBERED US DISPOSAL ACTIONS IN THE PAST. TAIB DID NOT THINK THAT THEY FULLY REALIZED THAT THE US IS NOW A MEMBER OF THE ITA AND HAS CHANGED ITS POLICY. THE AMBASSADOR ASSURED HIM THAT THERE

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WAS NO QUESTION BUT THAT THE US IS COMMITTED TO THE ITA AND WANTS TO SEE IT WORK. HE SAID THAT WHILE WE HAD DIFFERENT PERSPECTIVES, THE MALAYSIAN GOVERNMENT COULD BE ASSURED THAT THE US WOULD MANAGE ITS STOCKPILE DISPOSAL IN A REASONABLE MANNER AND WOULD CONSULT FULLY WITH THE ITC.

MILLER

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